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TRADE AND DEVELOPMENT BOARD
COMMISSION ON ENTERPRISE, BUSINESS FACILITATION AND DEVELOPMENT
Expert Meeting on the relationships between SMEs and TNCs to ensure the competitiveness of SMEs
Geneva, 27-29 November 2000
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. PROVISIONAL AGENDA

1. Election of Officers

2. Adoption of the agenda and organisation of work

3. The relationships between SMEs and TNCs to ensure the competitiveness of SMEs

4. Adoption of the outcome of the Expert Meeting

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1 - Election of Officers

1. In accordance with established practice, it is suggested that the Expert Meeting elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

Item 2 - Adoption of the agenda and organisation of work

2. Concerning the organisation of the work of the session, the Expert Meeting has three working days available. It is therefore suggested that the first plenary meeting on 27 November be devoted to procedural matters (items 1 and 2) and the introduction of item 3. Subsequent meetings will be devoted to a detailed discussion of item 3. The last plenary meeting, on the afternoon of 29 November, will be devoted to item 4: Adoption of the outcome.

3. The secretariat will prepare a tentative schedule indicating the issues to be dealt with by the meeting, which will be available on the first day.

Documentation

Item 3 - The relationships between SMEs and TNCs to ensure the competitiveness of SMEs

4. The mandate for this Expert Meeting emanates from the Bangkok Plan of Action adopted at the tenth session of UNCTAD at Bangkok. The Conference mandated UNCTAD, *inter alia*, to "collect and analyse data on best national practices stimulating enterprise development and ... analyse the links between SMEs and TNCs" (Bangkok Plan of Action, para. 119). During subsequent consultations among member states at Geneva in March 2000, it was decided to convene an expert meeting on "The relationships between SMEs and TNCs to ensure the competitiveness of SMEs".

5. In the process of globalization, and furthered by economic liberalization, TNCs are moving from simple forms of integration of suppliers to more complex and comprehensive networks of suppliers. If developing countries wish to attract FDI, local SMEs need to be compatible with the requirements for integration in such supply chains. The Expert Meeting will address the latest developments regarding the relationships between SMEs and TNCs to ensure the competitiveness of local industries.

6. Based on a consultancy report commissioned by the UNCTAD secretariat, an issues paper entitled "Enhancing the competitiveness of SMEs through linkages with TNCs" (TD/B/COM.3/EM.11/2) has been prepared. The paper highlights various types of relationships in linkages between TNCs and SMEs and their relevance for ensuring the competitiveness of SMEs, and also elaborates on the conditions necessary for the formation of such linkages. Moreover, it highlights best practices as discussed at a recently held workshop on "Technological and managerial upgrading of SMEs through linkages with TNCs" which focused strongly on 26 Asian case studies. They suggest that the

competitiveness of SMEs is best ensured, *inter alia*, by facilitating SMEs' access to TNC innovation centres and engineers/consultants, and the assignment of TNC staff to SMEs, as well as mentoring and coaching programmes, phased upgrading of technological and productive capacities, support and leadership for national skills centres, sharing knowledge of market trends and financial support or facilitating bank loans. Among the requirements for mutually beneficial relationships between SMEs and TNCs are that the SMEs should have technological competencies for high quality production and continuous innovation, responsiveness to competitive pressure, a will to succeed, a stable vision of the future and sound financial management. Finally, the paper presents recommendations for the action to be taken to achieve mutually beneficial relationships between SMEs and TNCs.

Item 4 - Adoption of the outcome of the Expert Meeting

7. The Expert Meeting will adopt the outcome ot its deliberations, and the Chairperson may also wish to produce a Chairperson's summary. The final report will be compiled under the authority of the Chairperson after the conclusion of the session for submission to the Commission on Enterprise, Business Facilitation and Development.